THE LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

Annual Review of the Budgets of the Independent Offices of the Legislative Assembly

Select Standing Committee on
Finance and Government Services

Fourth Report
Fourth Session, Thirty-Seventh Parliament

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LEGISLATIVE ASSEMBLY
PROVINCE OF BRITISH COLUMBIA

December 12, 2003

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the Fourth Report of the Select Standing Committee on Finance and Government Services.

The Fourth Report covers the work of the Committee on the annual review of the budgets of the Independent Offices of the Legislative Assembly.

Respectfully submitted on behalf of the Committee,

Brenda Locke, MLA
Chair

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COMPOSITION OF THE COMMITTEE

MEMBERS

Brenda Locke, MLA	Chair	Surrey-Green Timbers
Brian Kerr, MLA	Deputy Chair	Malahat-Juan de Fuca
Bill Belsey, MLA		North Coast
Jeff Bray, MLA		Victoria-Beacon Hill
Ida Chong, MLA		Oak Bay-Gordon Head
Arnie Hamilton, MLA		Esquimalt-Metchosin
Dave Hayer, MLA		Surrey-Tynehead
Mike Hunter, MLA		Nanaimo
Joy MacPhail, MLA		Vancouver-Hastings
Lorne Mayencourt, MLA		Vancouver-Burrard
Wendy McMahon, MLA		Columbia River-Revelstoke
John Nuraney, MLA		Burnaby-Willingdon
Patty Sahota, MLA		Burnaby-Edmonds

CLERK TO THE COMMITTEE

Craig James, Clerk Assistant and Clerk of Committees

COMMITTEE RESEARCHERS

Josie Schofield, Research Analyst

TERMS OF REFERENCE

On April 9, 2003, the Select Standing Committee on Finance and Government Services was appointed and empowered:

1. (a) To consider and make recommendations on the annual reports, rolling three-year service plans and budgets of the following statutory officers:

    (i) Auditor General;

    (ii) Chief Electoral Officer;

    (iii) Conflict of Interest Commissioner;

    (iv) Information and Privacy Commissioner;

    (v) Ombudsman;

    (vi) Police Complaint Commissioner; and,

    (b) To examine, inquire into and make recommendations with respect to other matters brought to the Committee's attention by any of the Officers listed in 2 (a) above.

2. That the Select Standing Committee on Finance and Government Services be the committee referred to in sections 19, 20, 21 and 23 of the *Auditor General Act* and that the performance report in section 22 of the *Auditor General Act* be referred to the committee.

In addition to the powers previously conferred upon the Select Standing Committee on Finance and Government Services, the committee shall be empowered:

a) to appoint of their number one or more subcommittees and refer to such subcommittees any of the matters referred to the committee;

b) to sit during a period in which the House is adjourned and during any sitting of the House;

c) to adjourn from place to place as may be convenient; and

d) to retain personnel as required to assist the committee;

and shall report to the House as soon as possible, or following any adjournment or at the next following session, as the case may be, to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

COMMITTEE PROCESS

On April 9, 2003, the all-party Select Standing Committee on Finance and Government Services (the Committee) was re-appointed and given its mandate for the fourth session of the 37th Parliament. Its 13 members included seven Members of the Legislative Assembly who had not served on previous finance committees. At a subsequent meeting on April 29, a new Chair and Deputy Chair were elected. Soon after, the Committee hosted an informal get-acquainted meeting on May 13, attended by five statutory officers of the Legislative Assembly. As well, on November 19, some committee members were able to attend the open house hosted by the three officers who now share office space in Victoria.

The first part of the terms of reference instructed the Committee to continue the practice of annual review of the budgets of the six statutory officers. The committee members were also asked to consider and make recommendations on other matters raised by the Auditor General, the Chief Electoral Officer, the Conflict of Interest Commissioner, the Information and Privacy Commissioner, the Ombudsman and the Police Complaint Commissioner.

This year, for the first time, the mandate also included a description of the Finance Committee's responsibilities under the new *Auditor General Act* — specifically, sections 19, 20, 21, 22 and 23. These sections refer respectively to the preparation of estimates for appropriation purposes, fees for cost recoveries, the capacity to make regulatory changes under the *Financial Administration Act* and the *Public Service Act*, the accountability of the Auditor General, and the audit of accounts of the Office of the Auditor General.

During the spring and fall, the Committee met to hear special funding requests from three statutory officers: the Chief Electoral Officer and the Police Complaint Commissioner (May 14), and the Information and Privacy Commissioner (October 29). Its recommendations are contained in the first and second reports tabled in the House during the fourth session.

To conduct its annual review of the budgets of the six independent offices, the Committee scheduled five public meetings in Victoria between November 18 and December 4. Members also met on December 11 to continue their deliberations on the content of their report to be presented to the House. Minutes and transcripts of the public meetings, as well as an electronic copy of this report, are available on the Internet at: www.leg.bc.ca/cmt

SCHEDULE OF MEETINGS

November 18, 2003	Office of the Information and Privacy Commissioner
November 20, 2003	Office of the Ombudsman
November 25, 2003	Office of the Police Complaint Commissioner
November 27, 2003	Elections BC
December 4, 2003	Office of the Auditor General Office of the Conflict of Interest Commissioner
December 11, 2003	Deliberations

OFFICE OF THE INFORMATION AND PRIVACY COMMISSIONER

> *"The budget submission you have before you today accommodates the final cut of 15 percent — for a total of 35 percent as recommended by the Committee. We have already taken steps to realize that cut and be in a position to continue to operate as of April 1, 2004, with the final 15 percent cut being implemented."*
> (David Loukidelis, the Information and Privacy Commissioner for British Columbia)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that the Office of the Information and Privacy Commissioner reduce its operating budget by 35 percent over three fiscal years. The annual targets for budget reductions were set at 10 percent for 2002/03, 10 percent for 2003/04, and 15 percent for 2004/05. In its December 2002 report, the Committee confirmed its original recommendations, anticipating that the office's operating budget for 2004/05 (and 2005/06) would be $1,523,600 and its capital budget $15,000.

COMMITTEE REVIEW

On November 18, 2003, the Committee met to review the office's budget submission for the next three fiscal years. Representing the office were David Loukidelis, Information and Privacy Commissioner, and Lanny Hubbard, Director of Corporate Services.

Budget Submission, 2004/05 – 2006/07

The Information and Privacy Commissioner informed the Committee that the funding request for the next three fiscal years related to his office's statutory duties and core business activities mandated by three pieces of legislation. First, under the *Freedom of Information and Protection of Privacy Act*, the office serves as an oversight agency to ensure the accountability and openness not only of provincial government ministries and Crown agencies, but also over 2,000 public bodies across British Columbia. Secondly, the office's activities under the *Lobbyists Registration Act* are also guided by openness and accountability imperatives.

Thirdly, under the *Personal Information Protection Act*, which comes into force on January 1, 2004, the office will take on considerable new oversight responsibilities across the broadly defined private sector in the province. Some 380,000 businesses and non-profit organizations will be covered by a comprehensive set of privacy rules. To assist the office with startup costs during the last quarter of the current fiscal year, the office expected to receive special funding of $292,000, the amount recommended by the Committee in its second report.

Turning to the specifics of the budget submission, the Commissioner referred briefly to the decisions of previous committees to recommend a cumulative reduction of 35 percent in the core funding for the office's activities under the *Freedom of Information and Protection of Privacy Act*. He reported that a 20 percent reduction in his office's budget has already been

realized, and that the proposed budget of $1.524 million accommodates the recommended final reduction of 15 percent for 2004/05 (and 2005/06). An increase of 6.4 percent was requested for 2006/07 that would bring the base funding for the office's activities under the public sector access and privacy legislation to $1.607 million.

Steps taken to comply with the Committee's direction to reduction the office's budget included:

- Sharing of office space with the Ombudsman and the Police Complaint Commissioner.
- Sharing of financial, human resources and other administrative services, including IT support, with these two independent offices.
- Reduction from 28 FTEs in 2002/03 to 17 approved positions for 2004/05 (including 4 FTEs for additional responsibilities under the new private sector privacy law).

Concerning the new private sector privacy legislation, the Commissioner requested funding of $512,000 in each of the next two fiscal years, increasing to $566,000 in 2006/07. In addition, he stated that the office would require $97,000 to administer the *Lobbyists Registration Act* in each of the next three fiscal years.

Finally, the Commissioner indicated that the overall capital budget request for all of the office's responsibilities under the three statutes is $38,000 for 2004/05, falling back to $20,000 a year after that. The higher figure for next year includes $23,000 to meet the office's startup costs related to the new *Personal Information Protection Act*.

Members' Inquiry

In their response to the Commissioner's presentation, the committee members' inquiry focused on two key areas: the capital budget and the office's building occupancy charges. They also asked for clarification on the workload related to the lobbyists' registry and on the classification levels of the four new positions related to the private sector privacy law.

Capital budget

Some Members wondered why the Commissioner was requesting $18,000 in startup capital costs related to the office's new private sector oversight responsibilities, when their recollection was that this capital item had already been endorsed in the Committee's second report. The witnesses' responses revealed that the office had assumed erroneously that the recommended $292,000 related only to operating expenses, and that the $18,000 capital budget had not been endorsed during the Committee's deliberations. Therefore their capital request for next year would be $18,000 less than forecast in the office's budget submission.

Building occupancy charges

Other Members expressed interest in the breakdown of office space, according to core business activities related to the *Freedom of Information and Protection of Privacy Act* and the office's other statutory duties. The Commissioner offered to supply the relevant data, noting that the recent move to shared premises has resulted in a reduction of $73,000 a year in rental costs.

RECOMMENDATIONS

The Committee recommends:

- **That the operating budget of the Office of the Information and Privacy Commissioner be $2,133,000 in 2004/05 and in 2005/06, to reflect the additional statutory responsibilities assumed by the office.**
- **That, for financial planning purposes, the operating budget of the Office of the Information and Privacy Commissioner be set at $2,133,000 for 2006/07. However, based on the submission presented this year, we suggest that future finance committees consider reviewing that budget.**
- **That the Office of the Information and Privacy Commissioner be granted an annual capital budget of $20,000 in each of the next three fiscal years.**

OFFICE OF THE OMBUDSMAN

"I have raised my concerns about the level of cuts both before this Committee and the Legislature, but I accept and understand that the Legislature has the right and responsibility to establish my budget. Accordingly, we have made our decisions and implemented our plans based upon the Committee's clear instruction of a 35 percent cut over three years."
(Howard Kushner, Ombudsman, Province of British Columbia)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that the Office of the Ombudsman reduce its operating budget by 35 percent over three fiscal years. The annual targets for budget reductions were set at 5 percent for 2002/03, 10 percent for 2003/04, and 20 percent for 2004/05. In its December 2002 report, the Committee confirmed its original recommendations, anticipating that the office's operating budget for 2004/05 (and 2005/06) would be $3,097,250 and its capital budget $65,000.

COMMITTEE REVIEW

On November 20, 2003, the Committee met to review the office's budget submission for the next three fiscal years. Representing the office were Howard Kushner, Ombudsman, and Lanny Hubbard, Director of Corporate Services.

BUDGET SUBMISSION, 2004/05 – 2006/07

The Ombudsman began his presentation by providing an overview of the past year's activities. He emphasized that his office's main function is to investigate complaints about administrative unfairness on the part of government and other public authorities. He then informed the Committee that the variety and scope of complaints are illustrated in some case summaries of files contained in the *2002 Annual Report*. Data on the caseload also show that 85 percent of the office's files concern administrative practices of the traditional authorities under the jurisdiction of a provincial ombudsman, with the other 15 percent coming from the extended jurisdiction. The office statistics also indicate that 40 percent of the complaints and enquiries originate in the lower mainland, 20 percent from Vancouver Island, 33 percent from the rest of the province and the remainder from elsewhere.

The Ombudsman proceeded to report on the steps taken to reduction the office's budget by 35 percent over three years, so as to reach the Committee's target of $3.1 million by 2004/05. The steps included:

- Reduction in the number of FTEs from 50 to 31, including the elimination of 13 investigators and in-house counsel.
- Reduction in office space costs from $482,000 to $226,000.
- Shared-space and shared-services arrangements with the offices of the Information and Privacy Commissioner and the Police Complaint Commissioner in the provincial capital.
- Shared-space arrangement with the Police Complaint Commissioner to maintain a public access office in Vancouver. This arrangement will cease on April 1, 2004, to be replaced by a mobile/travelling intake office in the lower mainland and the use of telecommuting staff.

The Ombudsman also reported that in the fall of 2003, the challenge of budgetary constraints had forced his office to cease investigating complaints about local governments and professional associations, except in the most exceptional circumstances. Faced with a further 20 percent reduction in the office's budget next year, the Ombudsman informed the Committee of his concern about the office's ability to continue to provide high quality investigations. Accordingly, commencing in January 2004, the office will be introducing the concept of a holding queue for complaints in respect of school districts, hospitals and health authorities, colleges and universities — representing 8 percent of the total intake. This holding queue will allow the staff to continue to accept complaints about these authorities, but the investigations may be delayed.

Finally, the Ombudsman reported that the office's budget submission included a reduced budget for the next fiscal year and a stand-pat budget for 2005/06, in line with the Committee's recommendations in its December 2002 report. His office, though, was requesting an increase of 8.5 percent in 2006/07 in order to begin rebuilding its investigative capability (by adding two telecommuting positions) and to resume investigating complaints about local governments and professional associations.

OTHER MATTERS

On a related matter, the Ombudsman informed the Committee that the new appointment structure for the four public sector pension plan boards has created uncertainty about his jurisdiction to investigate complaints of administrative unfairness. Previously, all board members were appointed by the Lieutenant-Governor-in-Council and so the Ombudsman had jurisdiction over these authorities in their capacity as agencies of government. Now that employer and employee groups can appoint board members directly, the Ombudsman faces the anomaly of having jurisdiction over the government agency administering the plans, the Pension Corporation, but not the individual boards that set policy and hear appeals — namely, the public service pension board of trustees, the college pension board of trustees, the teachers' pension board of trustees and the municipal pension board of trustees. What this means, in effect, is that the Ombudsman can investigate complaints about the body delivering a decision but not about the board that set the policy requiring that decision.

To rectify the situation, the Ombudsman requested that the Committee endorse his request to add the four authorities to the Schedule to the *Ombudsman Act*, by way of an order-in-council. He explained that the Minister of Finance, who is responsible for pension boards, thought it appropriate for the Finance Committee to consider the budgetary implications before government committed to expanding the Ombudsman's jurisdiction. For the Ombudsman, the Committee's endorsement was crucial, as the addition of the four authorities has the advantage of enabling previous services to continue, at a minimal cost (estimated at $2,000 a year). The addition would also be in line with the existing relationships between the boards of trustees and other statutory officers (Information and Privacy Commissioner, Auditor General).

Members' Inquiry

In their response to the office's budget submission, the committee members' inquiry focused on two key areas: the Ombudsman's discretionary authority and the closure of the Vancouver

office. They also asked for more information on the reduction of staff and the geographical distribution of complaints.

Ombudsman's discretionary authority

Some Members were concerned about the implications of the Ombudsman using his discretion to decide whether or not to investigate a complaint about an authority listed in the Schedule to the *Ombudsman Act.* While recognizing the permissive nature of the legislation, they did not believe that the intention was ever to give the Ombudsman the discretion to make an arbitrary determination among the bodies included in the Schedule to the Act. On the contrary, they believed that there is a statutory authority for the Ombudsman to investigate a class of complaints, regardless of when the bodies were added to the list.

The committee members were informed that the Act simply says "the Ombudsman may investigate a complaint, not shall investigate," which gives the office discretion to conduct its core activities in a way that is consistent with the resources it has been given. For this reason, the Ombudsman has divided up his workload between the traditional jurisdiction of a provincial ombudsman — provincial ministries, Crown corporations, and provincial agencies, boards and commissions — and the extended jurisdiction (local governments, health authorities and professional associations) which was added on in the mid-1990s. At the same time the Ombudsman has reserved the discretion to look at each complaint regarding the extended jurisdiction to determine whether there is something out of the ordinary that needs further investigation.

A related question concerned the intake numbers for the traditional and extended authorities. The Committee learned that the addition of extended authorities in the mid-1990s has resulted in a 15 percent increase in the number of complaints received by the office..

Closure of Vancouver office

Another inquiry related to the proposed closure of the Vancouver public access office. In response, the Ombudsman stated that it was a cost-saving measure in order to keep staff. Also, it made sense to retain the head office in the provincial capital, where the majority of complaints in relation to Crown corporations or provincial ministries come in. The Ombudsman also reported that the Vancouver staff of five investigators and one intake worker will continue to work on a telecommuting basis and if successful, telecommuting will be tried elsewhere in the province. As well, the plan is to develop a mobile intake office for the lower mainland to maintain a physical presence for people who want to file a complaint in person.

RECOMMENDATIONS

The Committee recommends:

- **That the operating budget of the Office of the Ombudsman be $3,097,250 in 2004/05, reflecting the budget reduction target approved by the Legislative Assembly on February 12, 2003.**
- **That the office's operating budget be maintained at $3,097,250 in 2005/06.**
- **That, for financial planning purposes, the operating budget of the Office of the Ombudsman be set at $3,097,250 in 2006/07. However, based on the submission presented this year, we suggest that future finance committees consider reviewing that budget.**
- **That the Office of the Ombudsman be granted an annual capital budget of $65,000 in each of the next three fiscal years.**
- **That the College Pension Board of Trustees, the Teachers' Pension Board of Trustees, the Public Service Pension Board of Trustees and the Municipal Pension Board of Trustees each be listed as an "authority" under the Schedule to the *Ombudsman Act*, by way of an order-in-council.**

OFFICE OF THE POLICE COMPLAINT COMMISSIONER

> *"I told you on May 14 that in order to run a bare-minimum requirement office, it was going to cost about $985,000. That is just to perform the basic priorities for exercising civilian oversight over the police."*
> (Dirk Ryneveld, Police Complaint Commissioner, Province of British Columbia)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that the Office of the Police Complaint Commissioner reduce its operating budget by 30 percent over three fiscal years. The annual targets for budget reductions were set at 5 percent for 2002/03, 10 percent for 2003/04, and 15 percent for 2004/05. In its December 2002 report, the Committee confirmed its original recommendations, anticipating that the office's proposed operating budget for 2004/05 (and 2005/06) would be $811,300.

COMMITTEE REVIEW

On November 25, 2003, the Committee met to review the office's budget submission for the next three fiscal years. Representing the office were Dirk Ryneveld, Police Complaint Commissioner, and Lanny Hubbard, Director of Corporate Services.

BUDGET SUBMISSION, 2004/05 – 2006/07

The Police Complaint Commissioner began his presentation by outlining the steps taken to deal with the initial challenges he faced when assuming the position nine months ago. These steps included:

- Staffing changes that involved creating the dual-function position of Deputy Commissioner and commission counsel to undertake work on an as required basis; hiring two competent senior investigative analysts to "work the files," and employing a paralegal and a senior secretary.
- Relocating the main office from Vancouver to Victoria and sharing office space, as well as corporate and IT services, with the Ombudsman and the Information and Privacy Commissioner, so as to minimize rental costs and maximize shared services.
- Sharing a small office with the Ombudsman to maintain a physical presence in Vancouver.

The Commissioner then moved on to review the analysis section of his office's budget submission. He stressed how important it was to make a distinction between having an operational budget — one that enables the office to plan and prioritize its spending — and a separate budget for unforeseen costs related to public hearings and court challenges to the legislation. If these earmarked funds were not used for those specific purposes, they would be returned to the provincial treasury as unspent moneys.

In regard to next year's proposed budget, the Commissioner explained that $985,000 is the bare-minimum requirement just to remain operational. During 2003, the office's caseload is

expected to increase by 19 percent. Also, a number of people are asking the staff to review old files, as a result of the publicity about the past work of the office. Furthermore, there is the additional workload created by the Commissioner ordering two public hearings — one involving the death of an individual in Vancouver, and the other into the Guns and Roses incident in Vancouver.

The Commissioner proceeded to outline three options for his office's budget for 2004/05. Option 1, the one he favoured, would provide the office with requisite funding to deliver some of the enhanced service that is presently a statutory requirement, as well as meet the recent recommendations of the statutory review committee. It would involve hiring one additional investigative analyst for the satellite office in Vancouver and a part-time support person for the main office in Victoria. The operational budget, with enhanced staffing, would amount to $1,058,000. Additional funding for mediation on a pilot basis would be $50,000. The office also requested a specially designated public hearing and court cost fund in the amount of $150,000, which would be returned if unused.

The other options were less favourable from the Commissioner's perspective. Option 2 represents the status quo operating budget of $985,150. It would enable the office to maintain the basic minimum service it is currently providing. Option 2 also included a request for $150,000 for additional legal and public hearing costs.

Option 3 reflects the fiscal direction given by the Committee in its two previous reports. According to the Commissioner, the proposed reduction in the operating budget to $811,000 for 2004/05 would eliminate the possibility that the office can provide effective civilian oversight over the police and result in staff layoffs in Vancouver. Option 3 also included the request for an additional $150,000 for public hearing and legal costs.

Members' Inquiry

In their response to the office's budget submission, the committee members' inquiry focused on three key areas: building occupancy charges, cost recoveries, and public hearing costs. They also sought clarification on individual budget items: the new STOB 59, central management services, and STOB 65, office and business expenses; and the variation in salary figures.

Building occupancy charges

Some committee members wondered why there was only a $4,000 cost-saving in building occupancy charges between 2001/02 and 2004/05, shown in the breakdown of the requested budget in Appendix A of the office's submission. They anticipated that the office's rent next year would be lower, given the new co-location and shared services arrangement.

In response, the Commissioner explained that the building occupancy charges for 2004/05 cover not only the main office in Victoria but also half the cost of the office space in Vancouver, thus enabling better service to be provided in terms of access than previously. The director of corporate services also pointed out that the renewal of the lease for the former office space in Vancouver would have cost an additional $10,000, if the relocation of the head office to Victoria had not taken place.

Cost recoveries

Members also raised the question of whether there was any opportunity for cost recoveries. They were informed that the office does not have a formal moneymaking arrangement. However, for the external investigation into the riot at the Hyatt, the Commissioner has been able to negotiate with the police force being investigated that it will pick up the tab for the nine-month investigation. As well, he has persuaded the RCMP to finance the external investigation into the complaints of the Pivot Legal Society, an inquiry that is expected to cost $1 million.

Public hearing costs

Another inquiry of committee members related to the current costs incurred by the office for the two public hearings already underway. The Commissioner reported that only minimal expenses have been incurred to date, because his own staff is doing the investigations and legal research, not outside counsel. Other expenses for travel and transcripts, as well as the fees for the registrar and adjudicator, would also be minimal and absorbed by the existing operating budget. However, the Commissioner anticipated having to make a special request to the Committee for funding to cover the costs of a three-week court case scheduled for early next year.

RECOMMENDATIONS

The Committee recommends:

- **That the operating budget of the Office of the Police Complaint Commissioner be maintained at $985,150 in 2004/05 in order to assist the office to reduce the backlog of files and to deliver the current level of service during the difficult transition period.**
- **That the office's 2004/05 operating budget be reviewed next year to assess whether the annual appropriation will be maintained at $985,150 for 2005/06 and for 2006/07.**
- **That the Office of the Police Complaint Commissioner continue to follow the process, outlined in the Committee's first report for the fourth session, for making submissions for contingency funding to pay for unforeseen expenses related to public hearings and court challenges to the legislation.**
- **That the Office of the Police Complaint Commissioner be granted an annual capital budget of $25,000 in each of the next three fiscal years.**

ELECTIONS BC

"I'm pleased to say that we are right on target with our annual operating budget for the current fiscal year. And I am even more pleased to state that we fully expect to be able to meet the annual operating budget target established for the next fiscal year and that we are prepared to flat-line at that level for the following two years."
(Harry Neufeld, Chief Electoral Officer, Province of British Columbia)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that Elections BC reduce its operating budget by 45 percent over three fiscal years. The annual targets for budget reductions were set at 15 percent for 2002/03, 15 percent for 2003/04, and 15 percent for 2004/05. In its December 2002 report, the Committee recognized that the high amortization costs facing the office were legitimate obstacles to achieving the original budget reduction targets. Accordingly, it revised the targets to 10 percent for 2003/04 and 10 percent for 2004/05. The Committee anticipated that the office's proposed operating budget for 2004/05 (and 2005/06) would be $6,507,800 and its capital budget $1,000,500.

COMMITTEE REVIEW

On November 27, 2003, the Committee met to review the office's budget proposal for the next three fiscal years. Representing the office were Harry Neufeld, Chief Electoral Officer; Linda Johnson, Deputy Chief Electoral Officer; and Nola Western, Director of Electoral Finance.

Budget Proposal, 2004/05 – 2006/07

After outlining the role of his office, the Chief Electoral Officer described the steps taken to manage the challenge of budget reductions requested by the Committee. They included:

- Closure of regional offices in Victoria, Vancouver, Langley and Kelowna.
- Relocation of the election supplies depot from Langley to Victoria.
- Staff reductions from 48 to 30 FTEs, due to early retirements, voluntary departures and restructuring of positions.
- Trimming of areas of service delivery that were not identified as legislative requirements.

The deputy chief electoral officer then outlined other choices made by the management team to meet its budget target for the next fiscal year. They included a new approach to electoral event planning, the development of partnerships with other electoral agencies, and a shared payroll service with the Office of the Auditor General in return for storage space at Election BC's warehouse in Langley.

The witness also pointed out that there is no money left in the annual operating budget for election readiness events or to meet unanticipated expenses. As well, many of the management team's decisions are based on the assumption that the office's proposals for amendments to the

Election Act will be approved in the spring of 2004, which include improvements in voter registration and voters list maintenance.

The director of finance also emphasized that the office's budget proposal does not include estimates of costs related to the 2005 provincial general election — except for the stipends paid to district electoral officers between elections. She then explained that how the management team's choices have translated into expenditure reductions in its annual operating budget. Savings have been achieved in amortization costs by minimizing capital asset purchases, and by the relocation of its Victoria headquarters to low-cost office space in September 2003. Furthermore, Elections BC does not anticipate spending all of the capital allocation in 2003/04 or in the next fiscal year. However, in 2005/06, the office must undertake a large capital project, the updating of the electoral information system.

Finally, the Chief Electoral Officer reiterated that his office has worked very hard to meet the budget reduction targets set by the Committee last year — mainly through relocation, reorganization and a fundamental rethinking of how Elections BC conducts its business. He also announced his intention to come back to the Committee next year to discuss funding requirements for the following electoral events: the pending targeted enumeration process, and the 2005 provincial election, combined with a possible referendum on electoral reform.

Members' Inquiry

In their response to Election BC's budget proposal, the committee members' inquiry focused on two key areas: proposed legislative amendments and electoral event planning. They also sought clarification on the outcome of the voter registration drive for the Citizens' Assembly on Electoral Reform, the allocation of funding for voter education, and the tasks assigned to temporary staff and professional services.

Proposed legislative amendments

Some committee members asked for more information on the proposed amendments to the *Election Act*. In response, the Chief Electoral Officer stated that one recommendation of the recent quality audit study is to synchronize the contents of the national register of electors with the provincial voters list so as to lower the response burden on the BC electorate. The merger would make the best possible use of Elections Canada data sources (Canada Customs and Revenue Agency tax forms, Citizenship and Immigration data and possibly change-of-address notices of Canada Post) and provincial data sources (driver's licence updates, vital statistics files and possibly the land-line telephone directory created by Telus).

This clarification prompted one Member to voice a concern that the people selected from the Telus directory may not be Canadian citizens and therefore ineligible to vote in a provincial election. He was reassured that their qualifications would be confirmed by other data sources.

Electoral event planning

Another inquiry related to the office's financial plans for the 2009 provincial election. Some committee members asked whether the cost of planning and implementation of a new electoral system, which would depend on the decision of the Citizens' Assembly and the possible referendum, would be reflected in the office's budget for 2006/07 or charged to the 2009 provincial election. In response, the Chief Electoral Officer stated that it was difficult to

answer a hypothetical question and so he would appreciate the Committee's guidance as to what the most appropriate action would be — perhaps a special appropriation as a result of amendments to the *Election Act*, or even a brand-new election act.

Prior to finalizing its recommendations, the Committee requested that Elections BC provide preliminary estimates of the total costs of funding the May 2005 provincial general election, including the potential referendum. In response, the office provided two options for the Committee to consider: option 1 (current legislation) $32.8 million and option 2 (proposed legislation) $28.6 million.

RECOMMENDATIONS

The Committee recommends:

- **That the operating budget of Elections BC be $6,508,000 in 2004/05 and in 2005/06.**
- **That provisionally, $7 million be set aside in 2004/05 for electoral event planning, and $21 million in 2005/06 for the actual delivery of the May 2005 provincial general election, including the cost of a possible referendum. These preliminary estimates will be refined once the Committee meets with the Chief Electoral Officer early in the new year.**
- **That, for financial planning purposes, the operating budget of Elections BC be set at $6,508,000 for 2006/07. However, based on the submission presented this year, we suggest that future finance committees consider reviewing that budget.**
- **That Elections BC be granted an annual capital budget of $195,000 in 2004/05. For the subsequent fiscal years, the Committee plans to conduct a further review of the office's preliminary estimates of $6,690,000 for 2005/06 and $1,250,000 for 2006/07.**

OFFICE OF THE AUDITOR GENERAL

"If you decide to confirm the previous committee's decision, I set out what I won't be doing as a result of that funding decision."
(Wayne Strelioff, Auditor General of British Columbia)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that the budget of the Office of the Auditor General be increased for 2002/03 and then reduced by 5 percent in 2003/04 and 10 percent in 2004/05. In its December 2002 report, the Committee confirmed its budget reduction targets, anticipating that the office's operating budget for 2004/05 (and 2005/06) would be $7,069,450 and its capital budget $200,000.

COMMITTEE REVIEW

On December 4, 2003, the Committee met to review the office's funding proposal for the next three fiscal years. Representing the office were Wayne Strelioff, Auditor General; Peter Gregory, Deputy Auditor General; and Brent Cunningham, Director of Finance/ Administration.

Funding Proposal, 2004/05 – 2006/07

The Auditor General began his presentation by reviewing the relevant sections of the new *Auditor General Act* that authorize a standing committee of the House to decide the overall funding for his office (section 19) and to approve the basis on which it charges fees (section 20). He then presented his office's funding proposal, with a view to persuading the Committee to reconsider its budget reduction target for 2004/05.

The key elements of the office's funding proposal are:

- A request for an appropriation of $8.9 million to fund the operation of the office for the year ending March 31, 2005, in two parts:
  a. An amount of $8.4 million for ongoing responsibilities; and
  b. A contingency amount of $0.5 million for work requested by a committee of the Legislative Assembly under subsection 13(2) of the *Auditor General Act.*
- Approval of the plan to continue to charge fees, on a cost-recovery basis.
- A request for an appropriation of $0.2 million to fund the capital expenditures of the office for 2004/05.

After reviewing the strategic context, the Auditor General then proceeded to outline the priorities and challenges facing his office. The first challenge is the adoption by government of generally accepted accounting principles, effective April 1, 2004, which will increase the number of provincial public sector organizations in the government reporting entity from 90 to over 170. The other challenges are: higher public expectations for all external auditors, resulting from recent North American business failures; the ongoing restructuring of how government carries out its programs and policies; meeting legislators' information needs regarding performance reporting; and the risk management challenge.

Next, the Auditor General identified key components of the office's work plan for 2004/05. He stated that about 40 percent of resources would be allocated to examining the financial performance information in government summary financial statements. Another 50 percent would be allocated to examining the government's risk management practices — including plans to complete a value-for-money audit of the restructuring of child protection services and an examination of ICBC investment governance policies and practices. The remaining 10 percent would be dedicated to assessing the quality of government performance reports.

Members' Inquiry

In their response to the Office of the Auditor General's funding proposal, the committee members' inquiry focused on four key areas: protocol issues, the proposed operating budget, contingency funding, and auditor independence standards. They also sought clarification on the proposed fee schedule for cost recoveries under the office's financial statement audit coverage plan. Other questions focused on the office's work plan, particularly the ICBC examination and the rationale behind the decision to defer the examination of child protection services. As well, an inquiry was made about the allocation of 10 percent of the office's resources for assessing the quality of performance reports, via stand-alone examinations.

Protocol issues

Members had two concerns about the Auditor General's interpretation of the Committee's role in the estimates process First of all, the way he phrased his recommendations implied, on occasion, that the Committee has sole responsibility for deciding the operating budget of his office. To clarify, the Chair reiterated that the role of the Committee is to make its recommendations to the House, which is the entity that actually approves the proposed budgets of the independent offices of the Legislative Assembly. The amounts approved by the House, in turn, form the main estimates considered by the Committee of Supply during the spring session.

The second concern related to the timing of the tabling of the funding proposal. This year, the Auditor General had tabled his proposal in the House on December 2, 2003, two days before his scheduled meeting with the Committee. Some committee members perceived this action to be premature and an unnecessary departure from past practice. From their perspective, it seemed redundant to table the proposal in the House before meeting with the Committee, since a process to review the office's funding proposal already exists. In addition, as the document tabled in the House will now be automatically referred to the Public Accounts Committee, pursuant to its terms of reference, the action has created a confusing situation as to which standing committee should properly deal with the funding proposal.

In response, the Auditor General stated that the new *Auditor General Act* puts in place a new working relationship with legislators and suggests a new protocol for the tabling of the funding proposal. Based on his interpretation of the Act, he decided that the funding proposal should go first to the Legislature and then be referred by the House to the relevant standing committee.

To conclude the discussion on this topic, the Chair stated that the Committee's preference is for the funding proposal to be submitted directly to the Committee, in line with the process followed by the other statutory officers.

Proposed operating budget

Some committee members wondered why the office was proposing an increase of $500,000 in its operating budget for 2004/05, rather than submitting a funding proposal incorporating the recommended 10 percent budget reduction target. They also stated that it was "very difficult" to make a decision about the requested increase, based on the information presented in the table on page 15 of the funding proposal. For example, the financial data do not show how many staff the office has, or how the office assigns staff to the priorities outlined earlier in the proposal. Furthermore, there are no explanatory notes regarding the projected increases in salaries and benefits, professional services, or for rent and depreciation.

Consequently, without knowing what the specific priorities are, the committee members were reluctant to accept the funding proposal. Instead, they thought the office needed to make some tough choices about priorities and its workload in order to comply with the fiscal direction set by the previous Finance Committee.

Contingency funding request

Another inquiry focused on the Auditor General's request for a contingency allowance of $500,000 to enable his office to conduct audits requested by select standing committees. Some committee members, who also serve on the Public Accounts Committee, asked for an explanation, because they were under the impression that the Auditor General, as well as government, expected that the committee requesting an audit would pay for the examination.

The Auditor General explained that initially, he was in agreement that individual standing committees should be responsible for paying directly for the audits they request. However, on reflection, he had decided it would be administratively simpler for his office to access contingency funding so as to act on these requests in a more time-sensitive way.

This response prompted a committee member to inquire where the contingency amount would appear in the office's proposed budget for 2004/05, and whether the office had taken into consideration the impact of its contingency funding request on the overall budget of the province

Auditor independence standards

Some committee members inquired whether the province's auditor would have to meet the same independence standards that private sector national auditing firms will soon have to adopt. Their specific inquiry focused on the Auditor General's statement on page 7 of the funding proposal about the need to ensure that his office regains the capacity to build into its due diligence practices "new and more rigorous independence and performance standards."

The Deputy Auditor General was asked to respond, as he currently chairs the Canadian Institute of Chartered Accountants assurance standards board. He informed the Committee that the profession is making a concerted effort to try to restore public confidence around financial reporting and auditing, by raising the bar for auditors. The new independence standards call for partner rotation, and virtually all of the provisions that apply to private sector firms also apply to public sector auditors. As a result, the office will be rotating senior staff more frequently to maintain their independence of the organization under examination.

RECOMMENDATIONS

The Committee recommends:

- **That the operating budget of the Office of the Auditor General be $7,069,450 in 2004/05, reflecting the budget reduction target approved by the Legislative Assembly on February 12, 2003, and maintained at $7,069,450 for 2005/06 and for 2006/07.**
- **That if the office is required to carry out special examinations, the Auditor General may approach the Committee for additional funding.**
- **That the Auditor General may continue to charge and use fees, which are estimated to total $2.3 million in each of the next three fiscal years. This follows a recommendation of the Select Standing Committee on Public Accounts.**
- **That the Office of the Auditor General be granted an annual capital budget of $200,000 in each of the next three fiscal years.**

Other Matters

On a related matter, the Committee considered the new process to be followed for the appointment of an auditor to the Office of the Auditor General. Under section 23 of the *Auditor General Act*, the Committee will now have to appoint an auditor for the next two fiscal years and then synchronize the appointment of the auditor with the four-year term of Parliament.

In the ensuing discussion, the Committee learned that the office has had the same financial statement auditor since its creation in 1977, and that in the last five years the annual audit fee has risen to $7,500. The Auditor General then proposed two short-term options for the committee members to consider —reappoint the office auditor or tender the work out — and offered to provide the office's audit appointment template to assist the Committee.

DECISION

After 25 years of using the same auditor, the Committee has decided that it is time to open this position to other auditing firms. Accordingly, the Committee expects to seek expressions of interest from the accounting profession in British Columbia, using a fair and open process.

The Committee is of the view that the cost of the process to be followed for the appointment of an auditor to the Office of the Auditor General for 2004/05 and 2005/06, and the annual fee for the financial statements and performance audit, should be paid by that office.

OFFICE OF THE CONFLICT OF INTEREST COMMISSIONER

"It would appear that we are succeeding in making Members aware of the Members' Conflict of Interest Act and the ramifications of not adhering to its principles and spirit. Therefore, barring any errors in judgment by the Members of the Legislative Assembly, the financial status quo would remain the same."
(H.A.D. Oliver, QC, Conflict of Interest Commissioner)

BACKGROUND

In its first financial review, completed in December 2001, the Committee recommended to the House that the annual operating budgets of the Office of the Conflict of Interest Commissioner be flat-lined at $292,000 for the next three fiscal years. In its December 2002 report, the Committee confirmed its original recommendation, anticipating that the office would request $292,000 for 2004/05.

COMMITTEE REVIEW

On December 4, 2003, the Committee met to review the office's funding proposal for the next three fiscal years. Representing the office was H.A.D. Oliver, QC, the Conflict of Interest Commissioner.

Funding Proposal, 2004/05 – 2006/07

After reviewing the purpose of the office, the Conflict of Interest Commissioner updated the Committee on the financial changes occurring during the current fiscal year. He reported that in May 2003, the administration of the operating budget was removed from the Legislative Comptroller and placed under the financial services and administration branch of the Ministry of Finance, which charges a small fee for this shared-services arrangement. Also, given that his office is "a small shop," employing only 1.6 FTEs, there has been some banking of holiday time over the past ten years, an issue the office plans to address at the end of the current fiscal year. Finally, the office is facing the prospect of having to replace its old printer and fax machine.

The Commissioner stressed that the proposed budget of $292,000 is an absolute minimum for operational purposes, and that none of the taxpayers' money is allocated for entertainment expenses. He also notified the Committee that additional moneys might be needed, should a situation arise where additional legal and public hearing costs are required.

MEMBERS' INQUIRY

In their response to the Office of the Conflict of Interest Commissioner's funding proposal, the committee members inquired about whether the office space is adequate for the office's needs.

RECOMMENDATIONS

The Committee recommends:

- **That the Office of the Conflict of Interest Commissioner continue to receive an annual operating budget of $292,000 in each of the next three fiscal years.**
- **That the Office of the Conflict of Interest Commissioner be granted a capital budget of $3,200 in 2004/05 for the purchase of office equipment.**

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